

Assembly Joint Resolution

No. 94

Introduced by Assembly Member Reyes

June 29, 2004

Assembly Joint Resolution No. 94—Relative to energy costs.

LEGISLATIVE COUNSEL'S DIGEST

AJR 94, as introduced, Reyes. Electrical energy: refund of excessive charges.

This measure would urge the Federal Energy Regulatory Commission to increase the refunds owed California ratepayers from \$3,000,000,000 to \$9,000,000,000 as a result of energy market manipulation during the state's energy crisis of 2000–2001. The measure would urge the President and Congress to ensure that the commission complies with this resolution.

Fiscal committee: no.

- 1 WHEREAS, Beginning in the year 2000, California
- 2 experienced the worst energy crisis in its history as a result of a
- 3 flawed energy deregulation proposal enacted by the state in 1996
- 4 and market manipulation by energy companies; and
- 5 WHEREAS, The energy crisis during 2000 through 2001
- 6 resulted in rolling blackouts on six separate days and the
- 7 declaration of an energy emergency by the California Independent
- 8 System Operator for 32 consecutive days beginning in January of
- 9 2001 and cost ratepayers more than \$40,000,000,000 as a result of
- 10 signing long-term electricity contracts under duress; and
- 11 WHEREAS, As a result of procuring overpriced electricity on
- 12 behalf of its customers, two of the state's investor-owned utilities,

1 Pacific Gas and Electric Company and Southern California Edison
2 became financially insolvent and Pacific Gas and Electric
3 Company declared bankruptcy; and

4 WHEREAS, During the energy crisis, market generators like
5 Enron were engaged in market manipulation designed to create
6 phantom congestion, thereby enabling them to charge higher than
7 reasonable prices to ratepayers in California, and were also
8 engaged in megawatt laundering designed to avoid price caps set
9 by the California Independent System Operator; and

10 WHEREAS, Newly released information shows that Enron
11 power traders knew and were deliberately engaged in
12 manipulating the market during the energy crisis in California in
13 order to increase its profits; and

14 WHEREAS, Enron’s penchant for ascribing names for its
15 illegal or unethical activities to hide unreported losses to its
16 investors also continued with its descriptions of the types of
17 market manipulation it was engaged in by calling them
18 “sidewinder,” “ping pong,” “donkey punch,” “spread play,”
19 and “Russian roulette”; and

20 WHEREAS, Taped recordings of Enron traders obtained by the
21 County Public Utility District of Snohomish in Washington State
22 prove Enron manipulated the markets gouging Western customers
23 for at least \$1,100,000,000, and the County Public Utility District
24 of Snohomish is seeking to force Enron to surrender at least
25 \$2,000,000,000 of ill-gotten gains as a result of the taped evidence;
26 and

27 WHEREAS, California is still seeking \$9,000,000,000 in
28 refunds from market generators engaged in manipulation of the
29 market during the energy crisis, of which the Federal Energy
30 Regulatory Commission has agreed to only \$3,000,000,000 in
31 refunds; and

32 WHEREAS, The Federal Energy Regulatory Commission has
33 stripped Enron of its ability to trade power, but is requiring the
34 company to repay only \$32,500,000 it collected in illegal profits
35 as a result of its manipulation of the energy crisis in the Western
36 region; now therefore, be it

37 *Resolved by the Assembly and Senate of the State of California,*
38 *jointly,* That the Federal Energy Regulatory Commission is urged
39 to increase the refunds owed to California ratepayers from
40 \$3,000,000,000 to \$9,000,000,000 as a result of the energy market



1 manipulation during the state's energy crisis, as evidenced in part
2 by the tapes demonstrating Enron's illicit trading actions, and is
3 also urged to continue its investigation of all the energy companies
4 that were selling power to California during the energy crisis to
5 determine their involvement in market manipulation; and be it
6 further

7 *Resolved*, That the President of the United States and the
8 Congress are urged to ensure that the Federal Energy Regulatory
9 Commission complies with this resolution; and be it further

10 *Resolved*, That the Chief Clerk of the Assembly transmit copies
11 of this resolution to the Federal Energy and Regulatory
12 Commission, to the President and Vice President of the United
13 States, to the Speaker of the House of Representatives, to the
14 Majority Leader of the Senate, and to each Senator and
15 Representative from California in the Congress of the United
16 States.

